

To: Renewable Advisory Board

From: Janice McClanaghan,
Energy Office

Date: July 1, 2003

Subject: Update

The following is the monthly update for the Renewable Energy Fund:

1. Fund Raid – The legislature has voted to provide \$2.5 million in FY 2003 (which began July 1, 2003), and \$2.5 million for FY 2004 to the Fund. The Fund would normally receive an estimated \$2.2 million from Narragansett every year through the systems benefit charge. It is still unclear whether the SEO will be able to carry over into FY 2003 the approximately \$4 million currently in the Fund. I am waiting for a meeting to be set up with the Governor's office and the Department of Administration Budget office to determine what can be done about the money currently in the Fund. Options being explored are
 - a. carrying over the money in the Fund as mentioned,
 - b. setting aside in separate accounts those funds previously earmarked for certain programs such as the PP&L Supply proposal involving the Berkshire Wind project, and/or
 - c. spending the money as intended in the budget approved by the Advisory Board earlier this year and going into an automatic red balance as a result.
2. PP&L Supply Proposal – A draft letter agreement has been sent to the Dale Osborn of DisGen, the developer of the Berkshire Wind project. The letter agreement states that the Fund is willing to purchase 6000 MWh of renewable energy certificates per year for 5 years from the Project for \$20 per MWh. This agreement is in response to the proposal submitted by PP&L under the Supply RFP. We have received verbal agreement to these terms from Berkshire Wind. The SEO is considering moving the \$600,000 required (over 5 years) for this purchase of certificates into an account to be opened and managed by the Fund administrator (see #1).
3. PV RFP – The final draft of the PV RFP has been sent to the Department of Administration lawyers for review. If they are unable to provide the required legal services in a timely manner, the Fund may need to hire outside counsel to perform the review.
4. Small Customer RFP – Renewable Choice Energy- A letter was sent to this marketer accepting its registration for the Small Customer incentive program. Renewable Choice has had staff in Rhode Island this month going door-to-door to perform a market test of a product they sell in other states. This product is not eligible for the Small Customer Incentive because it is not sourced 100% from renewable generation in New England. If Renewable Choice's market test is successful, the company will

go live with a new product that is New England based and will then be eligible for the incentive.

5. Energetech – The developer of the ocean wave project has been asked to provide an accounting of the sources of funding for building the project. This information was requested because the project has a projected capital cost that will result in energy costs of 20+ cents per kilowatthour, which is comparable to the cost of energy from PV projects in the same size range. The developer has indicated that a plan for raising the capital to build the project will be supplied to the Fund early next week.
6. Wind RFI – Responses are due on the 3rd of July. The Fund has not received formal responses yet; however, several entities have contacted the Fund with questions and clarifications, including Raytheon, Johnson and Wales University, and Roger Williams University. Roger Williams University is talking about a joint project with the town of Portsmouth, possibly involving more than one large wind turbine.
7. Backup rate letter – A copy of the current draft is attached. Comments that have been received to date are:
 - a. The Fund should not be asking for an accelerated review of the backup rates, only an exemption for a certain amount of renewables. (This is contrary to what is in the letter.) At this writing, we are seeking guidance from Narragansett and the PUC as to whether such an exemption is possible in the absence of a review of the backup rates.
 - b. A question has been raised about the amount of MW of renewables for which we should be asking for exemptions from the backup rates. The letter states that an estimated 3 MW of renewables will be installed over the next 5 years. It was estimated that 1.5 MW of PV would be installed over the next 5 years utilizing Fund incentives, based on:
 - i. \$750,000 of incentives per year for 5 years;
 - ii. The average incentive is \$5 per watt; and
 - iii. The installed cost of PV is \$10 per MW.Wind incentives were assumed to result in 6 –250 kW turbines, for a total of 1.5 MW, being installed in the state over the next 5 years. Based on the responses we get from the RFI, this estimate may go up. When added together, the estimated MW from both PV and wind equal 3 MW.
8. At the June 10 meeting, the Advisory Board voted to increase the subsidy for small wind projects (the previous Collaborative set the subsidy at \$1.50) to \$2.00, up to 50% of the cost of the system, for systems of 25kW and below. Systems in this size range cost between \$3.50 and \$4.50 per watt. The Fund had a request from the market to not limit the incentives to 50% of the system cost for new wind turbines which was relayed to the Advisory Board via email. Of those of you who responded, 2 were in favor of removing the 50% cap, 2 were in favor of removal of the cap if there was some other way of ensuring high quality systems were installed, and 2 were firmly against. Chris Warfel, technical consultant to the Fund has suggested that the

only way of ensuring high quality systems is to require a submittal to the Fund prior to the installation consisting of a project description, including manufacturer and model of wind turbine, the manufacturer's specifications for installation and a list of building official's inspection requirements. Post installation, an independent inspection should be performed as well as a review of the results of building inspections before the subsidy is provided.

If this procedure is satisfactory to all for ensuring that high quality systems are installed utilizing the incentive, it seems the cap should be lifted.

9. The RI State Energy Office is planning to submit a grant application to the Department of Energy for the Million Solar Roofs Initiative State and Local Partnerships. The goal of DOE through this solicitation is to assist State and Local Partnerships in developing and implementing programs to further the use of solar energy on buildings. The State of Rhode Island (the RI State Energy Office) became an official MSRI partner in 1999, with the RI Renewable Energy Collaborative as its main partner. Since then, the RI MSRI Partnership has received funding in two grant cycles for tasks relating to the removal of barriers to the increased use and development of solar energy. This time, the MSRI Partnership will be requesting funding for work tasks such as education of public policy decision makers (legislators, etc.); education and outreach to general public (radio talk shows, seminars, etc.); opportunities for funding Solar Hot Water programs, initiating a Solar Ready Homes program, possibly in conjunction with Energy Star Qualified New Homes; and continuance of its efforts to train/educate master electricians in solar installations.

A letter of support by the RI Renewable Energy Fund Advisory Board will be submitted with the grant application barring any objections. The Energy Office is looking forward to continuing its work on removing barriers to the development of the solar energy industry in the state, and thanks the Fund for their continued support of its MSRI goals and objectives.